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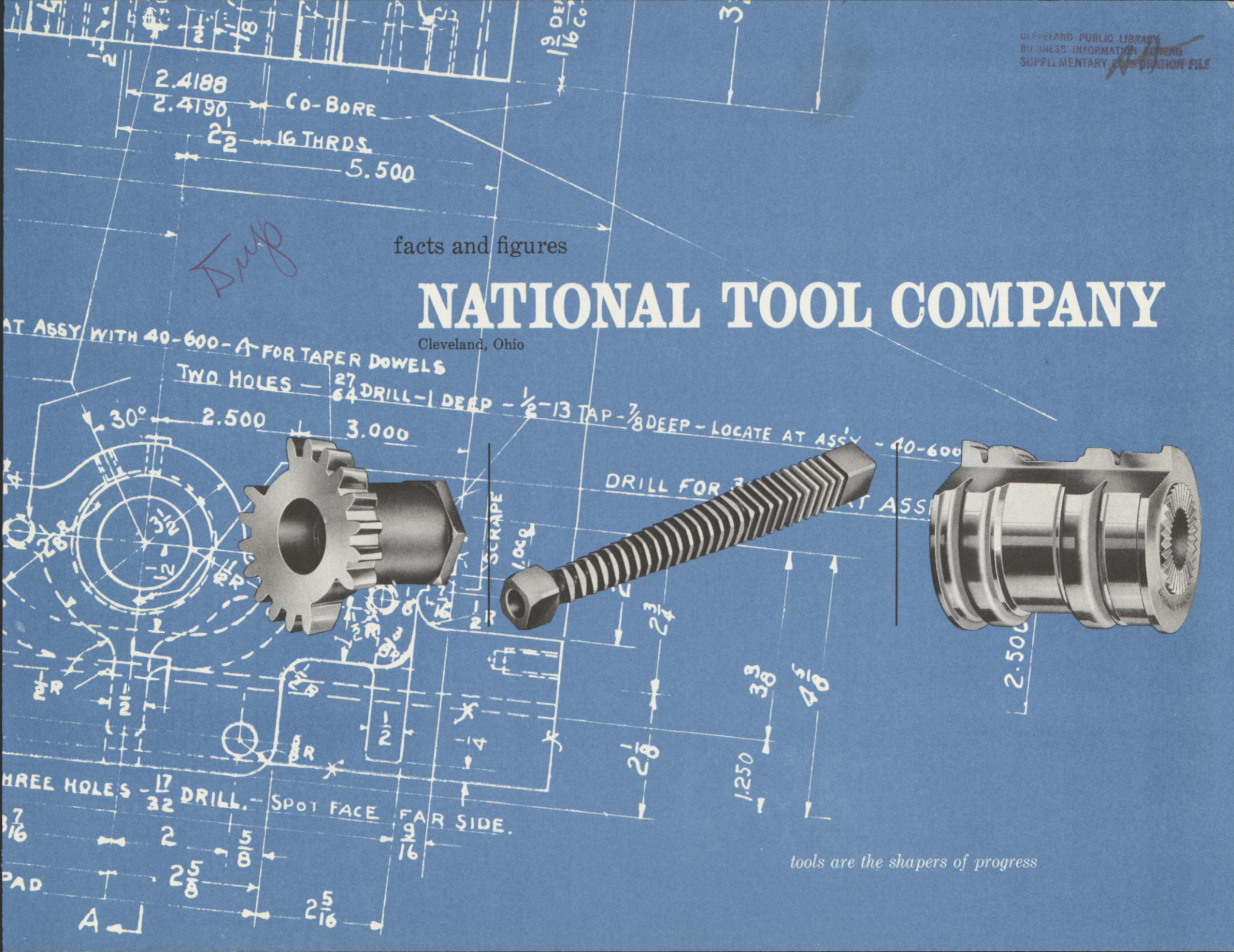
facts and figures

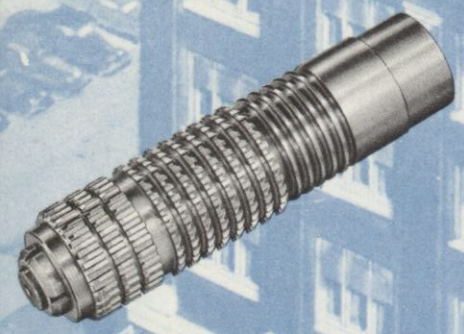
NATIONAL TOOL COMPANY

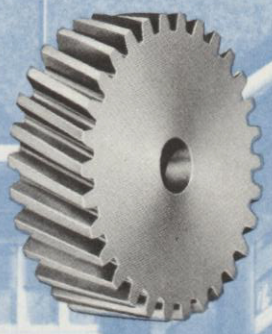
Cleveland, Ohio

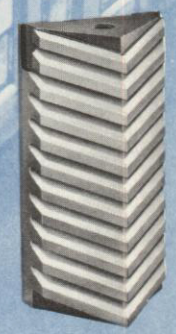


tools are the shapers of progress

Sales agents are located in all principal manufacturing centers in the United States. National Tool Company is also represented in Canada, Belgium, Switzerland, Italy, and France



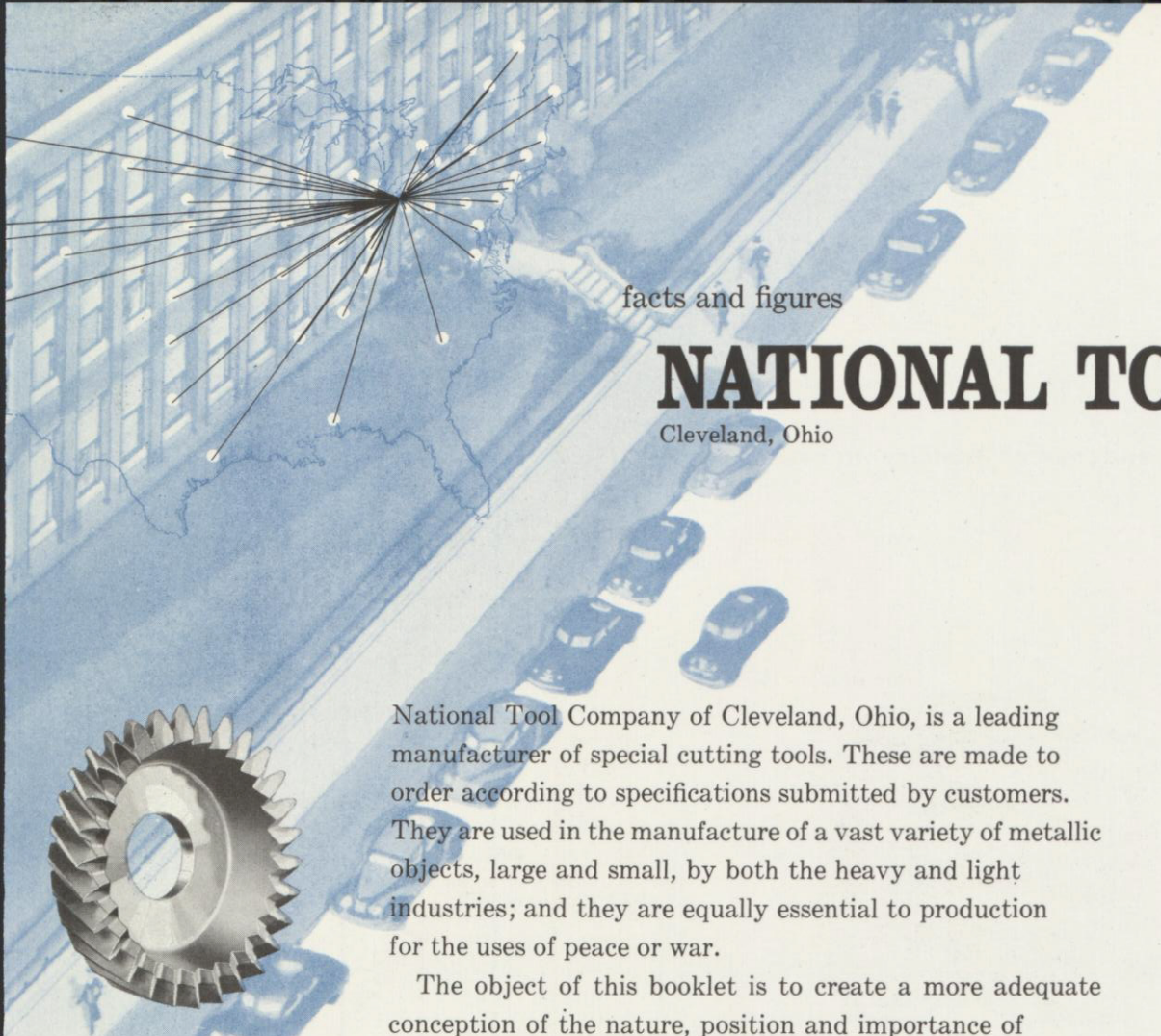




cutting tools shown left to right

front cover gear shaper cutter
broach
circular form tool

inside front cover sectional broach
gear hob, ground-form
master checking gear
special purpose reamer
surface broach
disc-type helical gear shaper cutt



facts and figures

NATIONAL TOOL COMPANY

Cleveland, Ohio

National Tool Company of Cleveland, Ohio, is a leading manufacturer of special cutting tools. These are made to order according to specifications submitted by customers. They are used in the manufacture of a vast variety of metallic objects, large and small, by both the heavy and light industries; and they are equally essential to production for the uses of peace or war.

The object of this booklet is to create a more adequate conception of the nature, position and importance of National Tool Company by describing its origin and growth, its individual characteristics, the special attributes of its products and production methods, its financial standing, and its management and staff. There is also the purpose of making clear the specific and vital function of special cutting tools and of distinguishing them from standard cutting tools, machine tools, or hand tools. Finally, it points out the place the company occupies in the cutting tool industry, its contribution to the general industrial progress of the country, and the prospects of continued advancement.

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	dividends
inside back cover	the future

MAN AND TOOLS. *Man is a tool-using animal. Weak in himself, and of small stature, he stands on a basis—at the most for the fattest soled—of some half square foot, insecurely enough; has to straddle out his legs, lest the very wind supplant him. Feeblest of bipeds! Three quintals (336 pounds) are a crushing load for him; the steer in the meadow tosses him aloft like a waste rag.*

Nevertheless, he can use tools, can devise tools. With these the granite mountain melts into light dust before him; the seas are his smooth highway; the winds and fire his unwearying steeds. Nowhere do you find him without tools; without tools he is nothing, with tools he is all.

—Carlyle

dependence of industry on cutting tools

special spline hob

There is a popular misconception of the cutting tool industry. In this industry, a cutting tool is not a razor, hand saw, butcher knife, hatchet, or similar instrument in common use around the home or in the building trades. It cannot be purchased at the corner store. On the contrary, cutting tools are basic industrial instruments required in the fabrication of most types of capital and consumer metal goods.

Most of the castings, forgings, stampings, and other unfinished metal parts pouring out of the nation's steel mills, foundries, forge and stamping plants must be cut, milled, shaped, drilled, threaded, planed, or otherwise machined by cutting tools before they can be used as products.

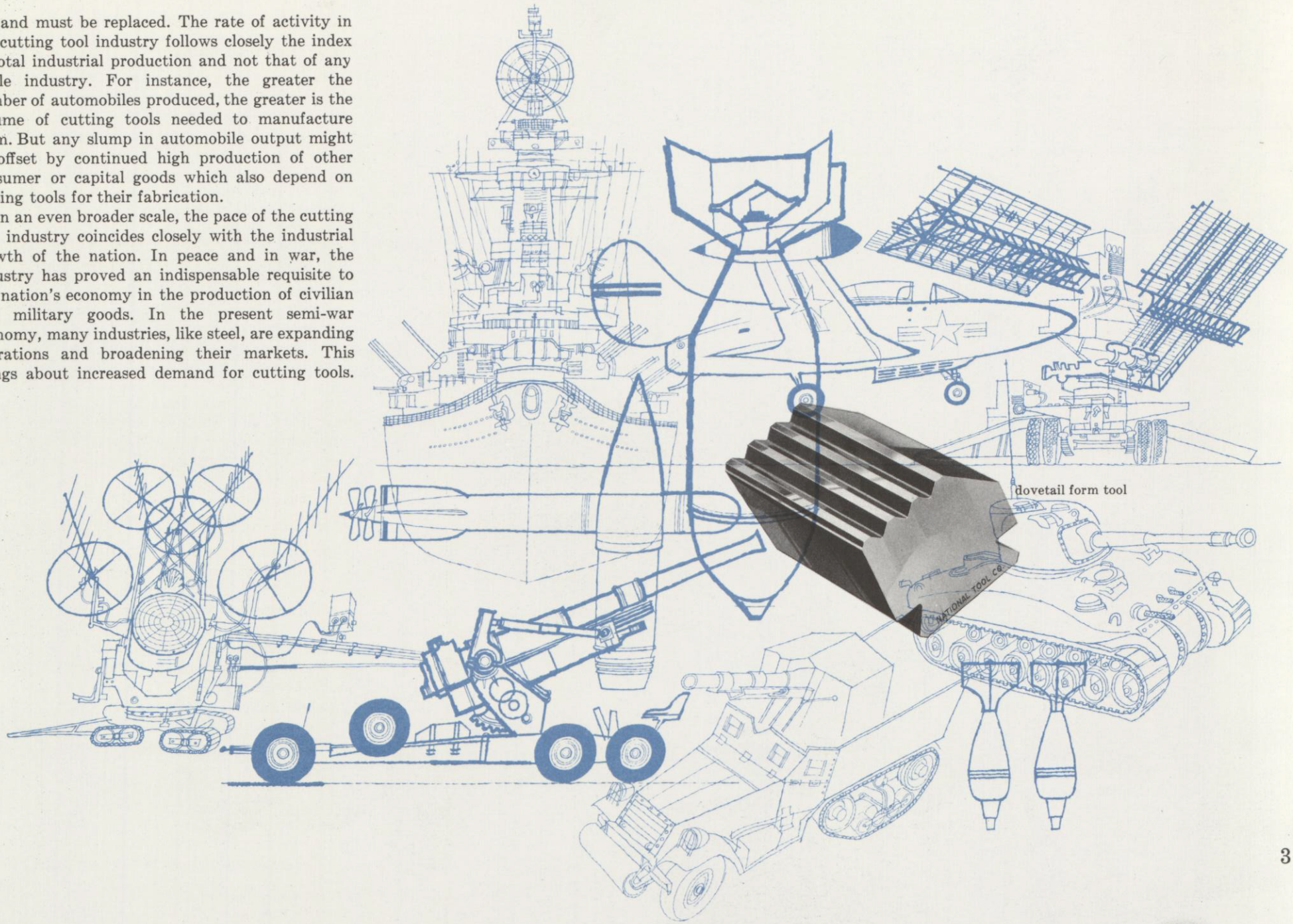
Cutting tools are used in plants manufacturing machine tools, automobiles, trucks, aircraft, tractors, road-building machines, farm implements, business machines, radios, household electrical appliances, mining, oil well and power equipment, and virtually every type of mechanical product made of metal. So extensive is this use of cutting tools in the manufacturing process that, according to estimates, it accounts for the greatest portion of the labor costs entering into the making of all types of manufactured metal goods. Many of these products could not be made without the use of cutting tools.

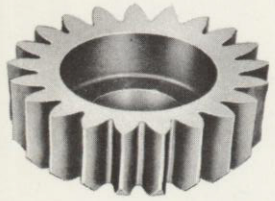
In the fabrication of finished metal products, an industry may continue for years without expanding plant or equipment, but it could not operate for very long without a continuous supply of cutting tools.

The reason this is so is that cutting tools wear

out and must be replaced. The rate of activity in the cutting tool industry follows closely the index of total industrial production and not that of any single industry. For instance, the greater the number of automobiles produced, the greater is the volume of cutting tools needed to manufacture them. But any slump in automobile output might be offset by continued high production of other consumer or capital goods which also depend on cutting tools for their fabrication.

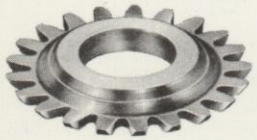
On an even broader scale, the pace of the cutting tool industry coincides closely with the industrial growth of the nation. In peace and in war, the industry has proved an indispensable requisite to the nation's economy in the production of civilian and military goods. In the present semi-war economy, many industries, like steel, are expanding operations and broadening their markets. This brings about increased demand for cutting tools.





new tool

worn-out tool



Two pictures of the same tool,
the bottom one showing how it is entirely
consumed by use and resharpening.

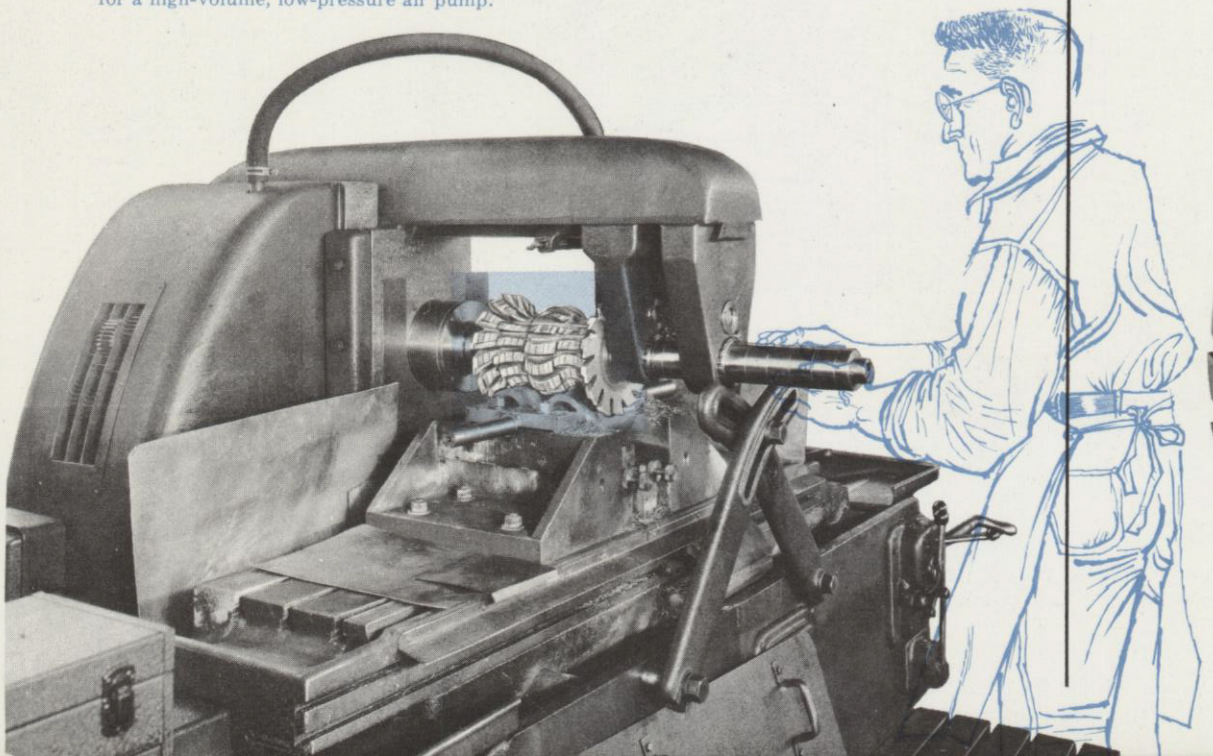
distinction between cutting tools and machine tools

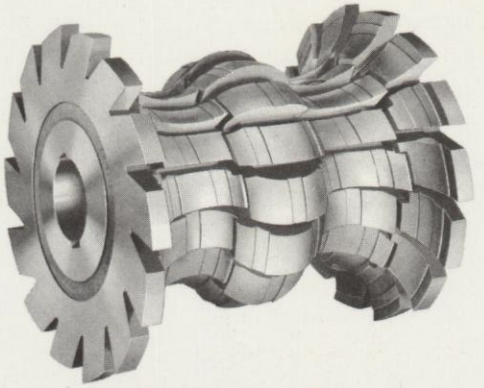
Cutting tools are not to be confused with machine tools such as lathes, presses, boring, milling and drilling machines. Machine tools are considered capital investments. They usually are expensive, power-driven, heavy machines which in most cases require that cutting tools be attached to enable them to function. Machine tools have a long life, sometimes as much as 20 to 30 years.

Cutting tools are the instruments that come into contact with the metal part being finished, and they remove metal to improve the finish, increase dimensional accuracy, and impart a form to the final product that can be attained in no other way. Unlike machine tools, the life of cutting tools generally is short, and though made of expensive high alloy metal, the sharp cutting edges wear out or break down from constant contact, use, heat, and abrasive action; so that after a number of resharpenings they must be discarded and replaced. Breakage also plays a role in the consumption of tools. In many cases, the type of product, process or specification for a tool itself, results in an intricate and fragile instrument.

machine tool | cutting tool

The large machine, on which the machining operation is performed,
is the machine tool. It is a horizontal milling machine.
The tool in the center is the cutting tool—an interlocking form relief milling cutter—
that does the actual machining. The object being machined is a rotor
for a high-volume, low-pressure air pump.





interlocking form relief milling cutter

relationship of the cutting tool industry and the machine tool industry to all metal-working production

The *metal-working index*, represented by the grey line in the accompanying chart, portrays the activity of metal-working industries from 1937 to 1951. This index is based on the activity of the manufacturers who process products made of metal. Because metal-working industries are basic to the nation's economy, and represent such a large part of the country's industrial production, it is believed that the index is a fairly accurate barometer of overall industrial activity.

The white line on the chart is an *index of machine tool shipments*, showing that the machine tool industry has followed a cyclical trend of activity. The industry at present is enjoying one of its busiest periods. The backlog of the machine tool industry has reached record-breaking levels. Over the long pull, improved machine tools will be produced, and in consequence, those till then in use become obsolete. Also, there is always a certain demand for new machine tools to replace older machines. Very few machine tool builders make cutting tools for the machines they market, thus leaving the field virtually intact to the cutting tool manufacturers.

More machine tools are in constant use today than ever before as a result of broad industrial expansion, and the requirements of the defense program. Because many machine tools require cutting tools if they are to operate at all, a greater continuing demand for cutting tools follows.

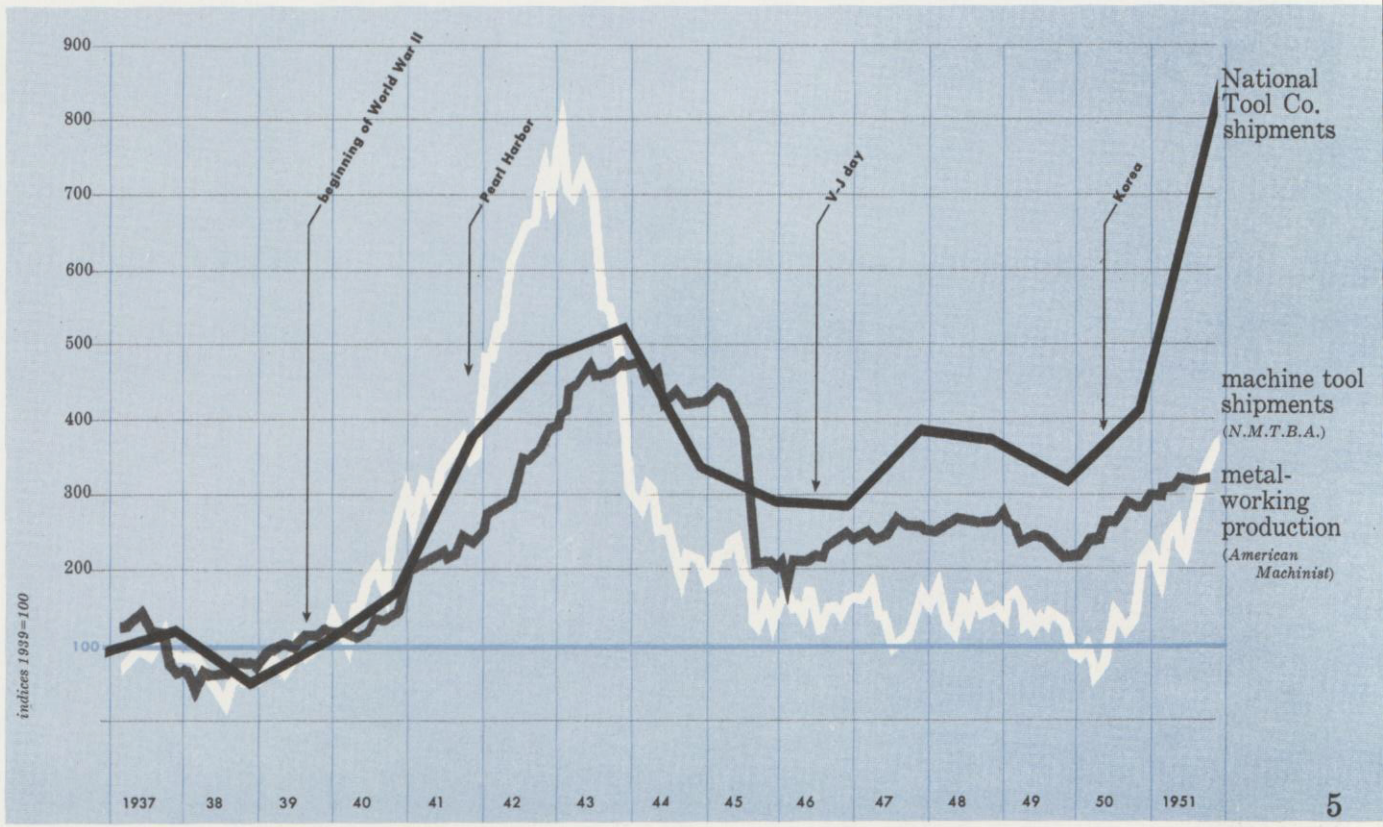
The black line on the chart is an *index of National Tool Company's shipments*. Contrary to popular opinion, the cutting tool industry is not a part of the machine tool industry, and the production of cutting tools does not follow the pattern of machine tools. Instead, cutting tool production is closely related to the activity of the metal-working industry.

Reference to the chart will show that over a period of years, *National Tool Company's production* trend-line has followed closely the trend-line of the *metal-working index*.

New consumer products and changes in the design of existing consumer products may create a sudden demand for machine tools. This demand can drop sharply when the new or redesigned products are in full production.

In contrast, cutting tools, and particularly special cutting tools, not only play an important part in getting the new or redesigned products into production, but are also a prime requisite for the continued production of existing products. From this it can readily be seen that even though the sudden demand for machine tools can taper off when the new or changed production ensues, demand for special cutting tools continues.

A study of the chart will show that in the last few years *the index of National Tool Company's shipments* rises much more sharply than the *metal-working index*. It is believed that this elevation results, first, from the increased use of special cutting tools by the metal-working industry, and second, because of National Tool Company's improved relative position in its industry.

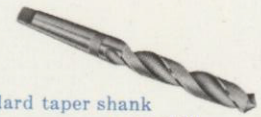
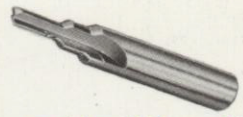
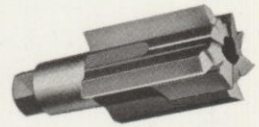
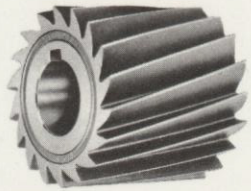
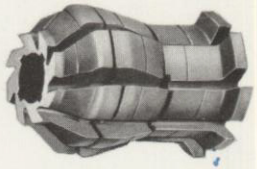


historical comparison: index of National Tool Company shipments, index of machine tool builders' shipments, index of metal-working industry production.

a partial list of special cutting tools manufactured by National Tool Company

corner rounding cutters
special form hobs
plain and side milling cutters
special tool holders and arbors
circular form tools
master gears
spur and helical gear shaper cutters
special tungsten carbide tipped tools
solid and shell end mills
single and multiple thread milling cutters
spur and helical gear hobs
herringbone gear shaper cutters
dovetail and flat form tools
counterbores
burnishing and rolling gears
convex and concave cutters
herringbone gear hobs
inserted cutter and reamer blades
slitting saws and discs
form relief cutters
special form and flat broaches
hollow mills
profile form milling cutters
roller and silent chain sprocket hobs
angle milling cutters
burnishing tools
roller chain sprocket shaper cutters
special boring bars
gang profile and form relief cutters
chamfering type gear hobs
special subland and step drills
worm generating cutters
silent chain sprocket shaper cutters
countersinks
screw slotting cutters
forming rolls
involute gear and spline cutters
single position hobs
tee slot cutters
serration and ratchet hobs
interlocking profile and form relief cutters
special solid tungsten carbide tools
spotfacers
chamfering type gear shaper cutters
step cutters and trepanning tools
involute and straight spline shaper cutters
worm gear hobs
dovetail cutters
special step and form reamers
straight and involute spline hobs
boring and cutoff blades

The pictures below show a comparison of standard cutting tools, which are stock items, and National Tool Company's special cutting tools, custom-engineered to order. A discussion of the basic difference between these tools is on the next page.

standard cutting tools	special cutting tools
 standard taper shank twist drill	 special multiple operation drill
taper shank machine reamer	 end form special reamer
 plain milling cutter	 interlocking form relief milling cutter

role of National Tool Company in the cutting tool industry

There are two general classes of cutting tools, standard and special. Standard tools are usually produced in large quantities and are stored as finished goods inventories in manufacturers' plants and in many cases in warehouses in various parts of the country. They are regular parts usually stocked by distributors and sold through jobbers. A standard cutting tool is somewhat universal and may be used on different products and in many cases on different kinds of machine tools.

Manufacturers of standard cutting tools gauge future demand at three levels so that production can be scheduled. In addition to the inventory maintained in their own plants and warehouses, they also anticipate the inventory requirements of their distributors and customers.

Special cutting tools are engineered, designed and produced for a single purpose on a single product and in nearly all cases cannot be used to make any other product. Generally, they can only be used on the particular machine for which they are designed. *The special cutting tool is sold before it is manufactured.* As a result, the manufacturer has no capital tied up in finished goods.

Another example of the differing status of standard and special cutting tools is this fact: a substantial amount of standard cutting tools are stockpiled by the government in a period of emergency; special cutting tools do not lend themselves to stockpiling.

At one time in the past, National Tool Company manufactured both standard and special cutting tools. Since World War II the company has directed practically all its energies toward production and sale of special cutting tools. Many reasons prompted this decision, but the principal one was the conviction that manufacturers would turn to these tools because of constantly increasing labor costs and the need for special tools that could reduce the cutting time factor. It was recognized that any device which shortened production time would always be in great demand. Special tools in many cases fulfill this requirement since they are designed for a particular operation and job, and to accomplish the highest production results.

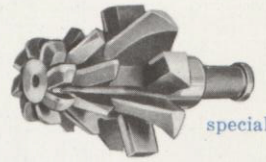
The trend towards labor-saving devices has spurred invention of new processes and methods that require use of special cutting tools. More than this, many metal products are becoming more intricate; more stress is being placed on quiet operation, long life, and superior finishes—all of which may require use of special cutting tools.

As further strides are made in technological progress, special cutting tools will always play an important part in achieving the higher precision, speed and economy constantly being sought by manufacturers.

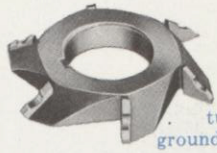
National Tool Company's 47 years of experience and emphasis on special cutting tool production has given it definite engineering skill and productive ability to the extent that it now is universally recognized as one of the leaders in its field. This is evidenced by the fact that more than 50% of the machinery and equipment in the plant was designed and built by company personnel for the sole purpose of producing special cutting tools.

The company serves an average of 1,500 customers a year in all branches of the metal working industry. Because of the caliber of the customers served, credit risks are nominal. The plant is located on three acres of land in Cleveland at 11200 Madison Avenue with a total floor space of 110,000 square feet. Employing 650 and owned by 1,150 stockholders, it is one of the few firms in the cutting tool field the stock of which is not closely held. The stockholders live in 33 states and the District of Columbia.

special form milling cutter

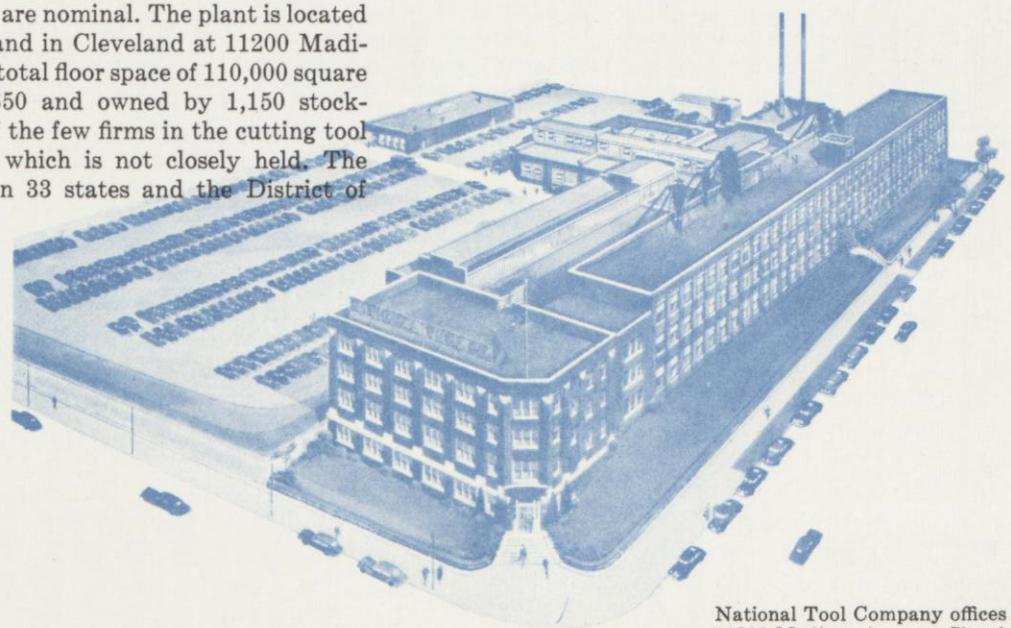


special form step cutter



tungsten carbide ground-form milling cutter

Each of these cutting tools cuts several dimensions and produces one or more forms in a single operation.



National Tool Company offices and plant, 11200 Madison Avenue, Cleveland, Ohio

original building, National Tool Company, 1905,
at Madison Avenue and 95th Street, Cleveland

management

Organized in a small shop in 1905, on an original capital investment of $5,000, the company encountered financial and operating difficulties during the 1930's. After re-organization in 1937, recovery was slow and operating losses were incurred as late as 1944 and 1945. In 1946, Harry W. Barkley, who is currently president, was named to the top executive post. He came to National Tool Company as executive vice president in August, 1945, after 27 years with Ford Motor Company.

Today, National Tool management represents a combination of experience and youth. Many of the officials and plant supervisory personnel are under 40 years of age. Mr. Barkley, who is 47, has spent his entire life in tool work. He is a graduate of Detroit public grade schools, the Henry Ford Trade School and the University of Detroit where he majored in engineering. After serving an apprenticeship in tool making arts at the Ford Trade School, he held various supervisory positions, including the job as manager of Ford's Milford, Michigan, plant. When he left Ford, he was a superintendent of the company's Highland Park plant with 20,000 men under his direction.

Average age of key men is 45 years. Among them are:

Arthur T. West, secretary and treasurer. Mr. West, 37, has been with the company since 1943. He received his education at Fenn College. He is a member of the Controllers Institute of America.

Lewis M. Shafer, 61, assistant secretary and assistant treasurer, joined the company 29 years ago as auditor.

Raymond D. Lindstrom, factory manager, 37 years old, graduated from the Henry Ford Trade School and prior to joining National Tool in 1947 served in many supervisory machine shop and tool room jobs at Ford Motor Company.

Joseph B. Clough, 41, director of sales, served in top level executive posts with several Cleveland companies and has wide experience in production and sales. He is a graduate of Case Institute of Technology and Harvard University.

Harry M. Minor, 40, sales manager, spent 15

directors

Harry W. Barkley, *Cleveland, Ohio*
president, National Tool Company
George O. Desautels, *Indianapolis, Indiana*
president, George O. Desautels Company
Richard S. Huxtable, *Cleveland, Ohio*
executive vice president and general manager
The Fawick Airflex Company, Inc.
Lewis F. Jubenville, *Orchard Lake, Michigan*
vice president, National Tool Company
Samuel J. Kornhauser, *Cleveland, Ohio*
counselor at law
J. Victor Loewi, *Milwaukee, Wisconsin*
president, Loewi & Company
John S. Pearson, *New York City*
Dobbs & Company

executive committee

chairman Harry W. Barkley
Lewis F. Jubenville
J. Victor Loewi

officers

president and general manager Harry W. Barkley, *Cleveland*
vice president Lewis F. Jubenville, *Orchard Lake, Michigan*
secretary and treasurer Arthur T. West, *Cleveland*
assistant secretary and assistant treasurer Lewis M. Shafer, *Cleveland*

administration

director of sales Joseph B. Clough
factory manager Raymond D. Lindstrom
chief engineer Anton Erhardt, Sr.
sales manager Harry M. Minor
gear engineer Melvin H. Mitchell
tool engineer Matthew Dolvig

registrar and transfer agent of stock

Central National Bank, *Cleveland*

independent auditors

Haskins & Sells

years with a Dayton, Ohio, division of General Motors Corporation in sales, production, and purchasing.

Anton Erhardt, Sr., 65, chief engineer, born and educated in Germany where he specialized in engineering and mathematics, came to America in 1905 and joined National Tool Company in 1907.

Matthew Dolvig, 40, tool engineer, started with the company in 1929 and moved up progressively to his present post.

Melvin H. Mitchell, 45, gear engineer, obtained an engineering degree from the University of Illinois in 1929 and began working for the company in 1932 in the gear engineering department, of which he is now manager.

John Rhyner, 40, chief inspector, born in Italy and trained in European schools, has broad experience in machining, grinding, tool and die work.

management record

Under the new management, the company in 1946 launched an extensive streamlining and cost-reduction program in the factory, office, and in the sales territories. The over-all objective, still adhered to today, was to increase productivity, reduce manufacturing costs, and keep pace with technological developments. The plant was completely rehabilitated through rearrangement and expansion of facilities and equipment. To date, $666,000 has been spent on this program.

Certificates of necessity totaling $705,000, to be amortized over a period of five years, have been granted the company. About $70,000 will be used for additional manufacturing space and the balance can be used for machinery and equipment, stressing cost reduction and product improvement. If these certificates are utilized completely, they will bring to $1,371,000 the amount the company has expended for capital improvements since 1946.

Quality control has been introduced through enlarged and improved inspection facilities. The heat treating department has been modernized with the latest automatically-controlled equipment especially adaptable to proper hardening of high alloy steels. A large machine shop maintained for making machines for the company's exclusive use was converted to provide additional manufacturing facilities. A modern cost system was installed to give complete information regarding costs and cost trends in all departments.

A visual production control system was adopted which records the movement of work from one operation to another. A modern scientific plant layout of equipment reduced the movement of work from one department to another. The manufacturing cycle was shortened considerably and the number of non-productive workers, such as material handlers, general clerks, expediters, production control clerks, and inter-operation inspectors was reduced. Also, streamlining of office procedures produced substantial savings.

Benefits of the overhauling program were direct and tangible. The ratio of total factory overhead to productive labor has been reduced 40% since 1946. In addition to these savings in factory overhead, technological improvements have resulted in a 30% increase in labor efficiency during the same period. These changes were achieved during a time when sales rose from $2,167,000 in 1945 to $6,113,000 in 1951 without a proportionate increase in productive labor. Despite the increase in sales during this period, there was actually a reduction in the non-productive labor force.

The company's sales originate entirely through manufacturer's agents located in all principal industrial centers. At present there are 53 agents' territories manned by approximately 117 salesmen. Sales agents operate entirely on a commission basis, therefore direct selling costs are always in proportion to sales volume.

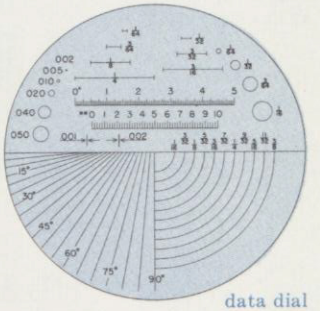
The company's growth, as evidenced by increased orders and greater backlog, is attributable to the improvement and expansion of its nation-wide sales force. Constructive changes in the sales organization originate from a constant study of industrial requirements for cutting tools, trends in product development, and changes in geographic locations of plants and industries.

A degree of diversification has been obtained through the exclusive marketing of an optical measuring instrument for precision inspection made by Bell & Howell Company, Chicago. Further diversification resulted from a substantial contract for machine tools, and several contracts for production parts. Since this work is being done in the machine shop, it in no way interferes with the company's capacity to produce its principal product, special cutting tools.

The company's research program is aimed at keeping abreast of technological developments that will aid plans of cost reduction, product improvement, and product development. This program, under constant management attention, is also furthering efforts toward diversification of sales, engineering and factory operations.

Labor relations at National Tool Company are harmonious. Over one-third of the employes have been with the company over 10 years. Employe wage rates and other benefits compare favorably with those in the industry and the community. Because of employe's skill requirements, the company operates a continuous training program. The company's location on the western limits of Cleveland adjoining fine residential districts serves as an excellent labor source yielding a definite employment advantage.

Pocket comparator, a precision optical measuring instrument, manufactured by Bell & Howell Company and distributed exclusively by National Tool Company.



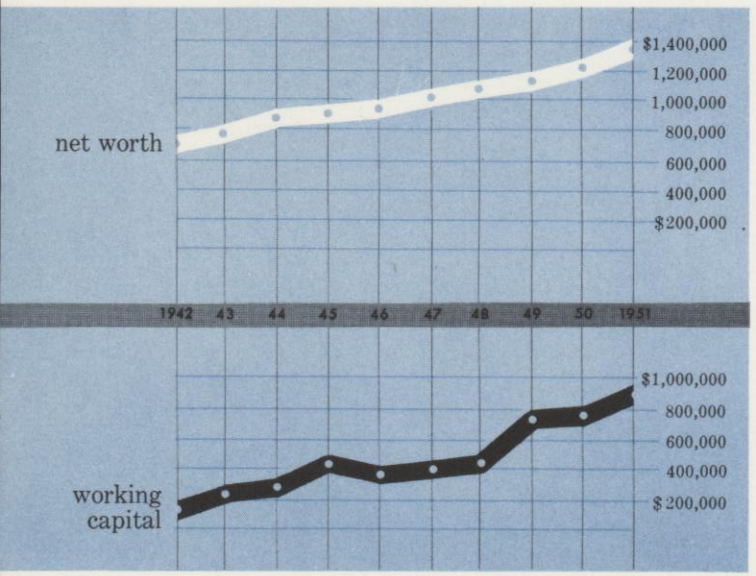
data dial

financial condition

The company's present financial condition is the strongest in its history. Current assets at the end of 1951 were $2,016,752, compared with $656,572 at the end of 1946. Working capital amounted to $901,519, against $393,808 at the end of 1946. Working capital value of $3.93 a share, compares with $1.71 a share on December 31, 1946.

In 1949, the company negotiated a 10-year $250,000 mortgage loan with an insurance company repayable at the rate of $25,000 a year. Two banks have extended current borrowing privileges considered ample for any anticipated working capital needs. On December 31, 1951, the company was using $300,000 of this open line of credit.

National Tool's capital structure is simple, consisting of 600,000 authorized shares of common stock, with a par value of $1 per share, of which 229,591 shares are presently outstanding. Book value per share of stock at the end of 1951 was approximately $6.00 a share compared with $5.41 a share on December 31, 1950 and $3.98 a share at the end of 1945.



National Tool Company
comparison of financial position 1942—1951 inclusive

	December 31st:
current assets	
cash	
U.S. treasury securities	
accounts receivable (less reserve)	
inventories at lower of cost or market	
claims for income tax refunds	
total current assets	
current liabilities	
notes payable to banks	
current portion of mortgage payable	
accounts payable	
accrued federal income taxes	
other accrued liabilities	
total current liabilities	
working capital and other assets	
working capital—amount	
—ratio	
property, plant, and equipment—less reserves for depreciation and amortization	
deferred charges and other assets	
total	
deduct:	
mortgage payable (current amount at 4⅜%, due $25,000 annually)	
long-term bank loan	
excess of assets over liabilities	
represented by:	
common capital stock, authorized 600,000 shares of $1 par value each	
in treasury (5,625 shares)	
excess of paid-in capital over amount assigned to capital stock	
earnings retained for use in the business	
total	

notes to 1951 statement of financial position

1. Ten thousand shares of unissued capital stock of the company are subject to a purchase option by an officer of the company until April 1, 1955 at a price of $4 a share for the first five thousand shares and $5 a share for the additional five thousand shares.
2. The terms of the 4⅜% mortgage payable provide that dividends or other distribution to stockholders which would reduce the company's surplus at December 31, 1948 shall not be paid without the consent of the holder. At December 31, 1951, the amount of such surplus (earnings retained for use in the business) was $724,295.

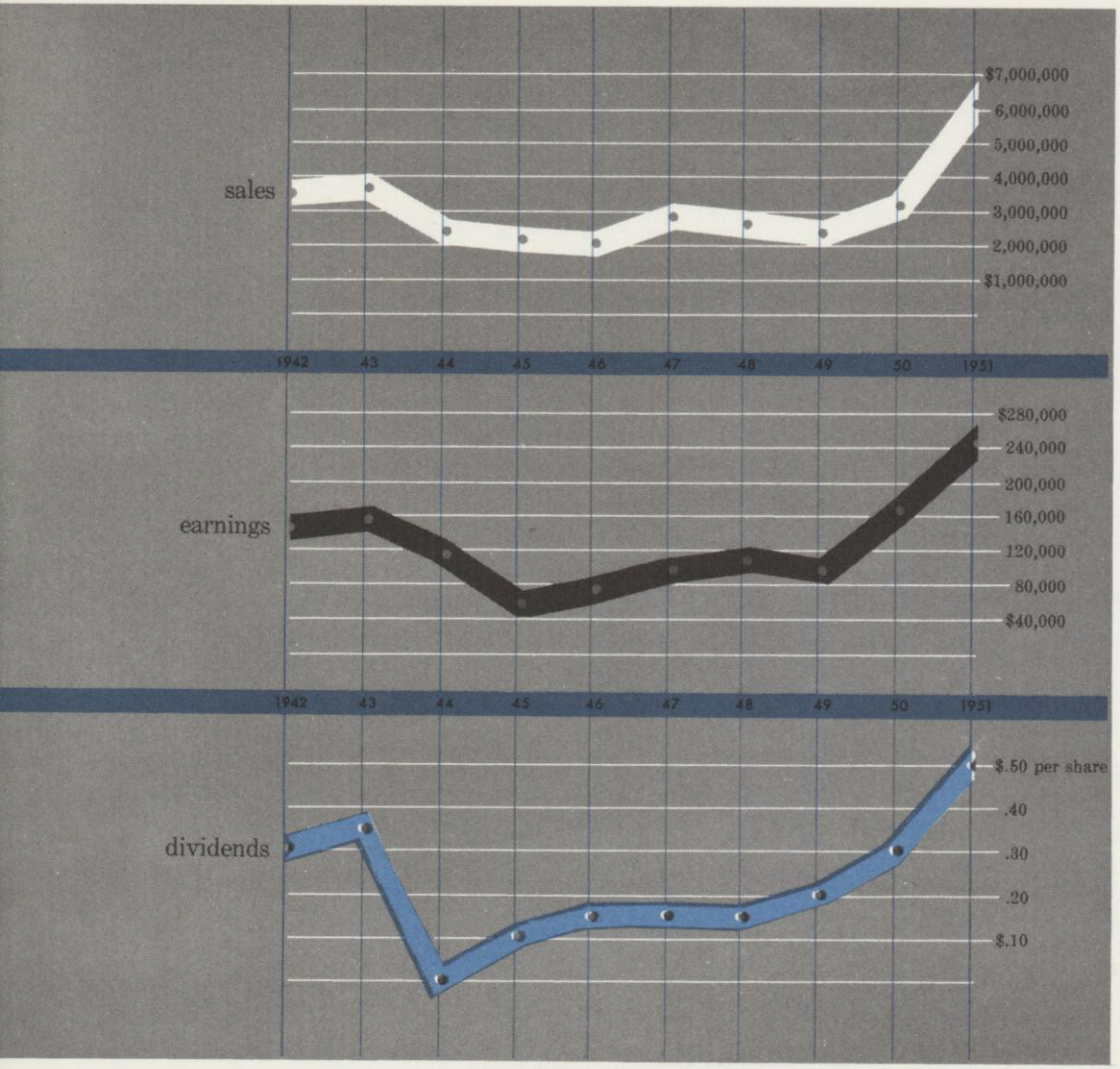
	years ending December 31st:
sales, earnings and dividends	
net sales	
income (loss) before provision for federal income taxes	
provision (credit) for federal income taxes	
net income	
net income per share	
cash dividends per share	

note to sales, earnings and dividends:

1944 income before provision for federal income taxes includes $40,351 proceeds of life insurance.

1951	1950	1949	1948	1947	1946	1945	1944	1943	1942
$ 261,382	$ 113,438	$ 117,135	$ 65,329	$ 123,006	$ 129,839	$ 187,411	$ 207,052	$ 241,711	$ 102,607
—	—	300,725	—	—	—	—	37,710	347,389	370,072
473,429	416,949	196,529	278,232	214,549	234,639	143,024	239,777	228,963	315,049
1,281,941	795,130	341,363	371,724	305,980	292,094	223,277	264,559	362,900	729,668
—	—	—	—	115,064	—	114,025	—	—	—
$2,016,752	**$1,325,517**	**$ 955,752**	**$ 715,285**	**$ 758,599**	**$ 656,572**	**$ 667,737**	**$ 749,098**	**$1,180,963**	**$1,517,396**
$ 300,000	$ 100,000	—	$ 60,000	$ 181,000	$ 79,000	$ 130,000	$ 275,000	$ 400,000	$ 648,833
25,000	25,000	$ 25,000	—	—	—	—	—	—	—
140,841	197,470	60,692	52,015	52,351	61,672	28,838	60,463	66,077	68,787
530,000	130,000	54,500	67,500	60,180	49,000	—	4,481	325,500	498,512
119,392	98,882	52,507	79,326	63,759	73,092	52,661	109,454	125,085	128,903
$1,115,233	**$ 551,352**	**$ 192,699**	**$ 258,841**	**$ 357,290**	**$ 262,764**	**$ 211,499**	**$ 449,398**	**$ 916,662**	**$1,345,035**
$ 901,519	$ 774,165	$ 763,053	$ 456,444	$ 401,309	$ 393,808	$ 456,238	$ 299,700	$ 264,301	$ 172,361
1.81	2.40	4.96	2.76	2.12	2.50	3.16	1.67	1.29	1.13
$ 546,863	$ 550,330	$ 545,874	$ 570,923	$ 616,279	$ 571,695	$ 437,649	$ 375,575	$ 389,189	$ 418,376
102,725	97,409	56,318	63,435	57,499	177,708	140,483	200,698	118,868	99,572
$1,551,107	**$1,421,904**	**$1,365,245**	**$1,090,802**	**$1,075,087**	**$1,143,211**	**$1,034,370**	**$ 875,973**	**$ 772,358**	**$ 690,309**
$ 175,000	$ 200,000	$ 225,000	—	—	—	—	—	—	—
—	—	—	—	$ 60,000	$ 191,000	$ 120,000	—	—	—
$1,376,107	**$1,221,904**	**$1,140,245**	**$1,090,802**	**$1,015,087**	**$ 952,211**	**$ 914,370**	**$ 875,973**	**$ 772,358**	**$ 690,309**
$ 229,591	$ 229,591	$ 229,591	$ 229,591	$ 229,591	$ 229,524	$ 229,524	$ 224,444	$ 224,444	$ 224,444
	19,775								
136,916	136,916	136,916	136,916	136,916	136,916	136,916	126,916	126,916	126,916
1,009,600	875,172	773,738	724,295	648,580	585,771	547,930	524,613	420,998	338,949
$1,376,107	**$1,221,904**	**$1,140,245**	**$1,090,802**	**$1,015,087**	**$ 952,211**	**$ 914,370**	**$ 875,973**	**$ 772,358**	**$ 690,309**

1951	1950	1949	1948	1947	1946	1945	1944	1943	1942
$6,113,278	$3,137,290	$2,377,964	$2,735,617	$2,797,271	$2,056,876	$2,167,282	$2,502,219	$3,765,633	$3,517,000
778,661	298,860	149,421	175,718	156,240	124,785	(6,580)	22,716	457,541	584,341
530,000	130,000	54,060	65,564	59,000	49,000	(65,000)	(92,333)	300,000	436,600
$ 248,661	$ 168,860	$ 95,361	$ 110,154	$ 97,240	$ 75,785	$ 58,420	$ 115,049	$ 157,541	$ 147,741
1.08	.75	.41	.48	.42	.33	.26	.51	.70	.66
.50	.30	.20	.15	.15	.15	.10	.00	.35	.30



sales

Monthly sales records were broken in every month in 1951. Total sales of $6,113,278 were three times higher than the sales in 1946, and compare with the previous high of $3,765,633 in 1943. The backlog of unfilled orders at the end of 1951 totaled $2,225,692 compared with $2,109,708 a year earlier.

earnings

Earnings have followed an upward trend since 1945. For 1951, net income was $1.08 a share, compared with 75 cents a share in 1950 and 26 cents in 1945.

Net profit before federal taxes for 1951 was $778,661. Provision for federal taxes amounted to $530,000. Net income after taxes was $248,661.

Net profit before federal taxes in 1950 amounted to $298,860 and the provision for federal taxes was $130,000, which resulted in a net after taxes of $168,860.

The company's stock is traded over the counter. High and low range over the last six years follows:

1951, 6½—4¼
1950, 4⅝—2⅜
1949, 2½—1¾
1948, 3 —1¾
1947, 4 —2½
1946, 6¾—3⅛

dividends

Dividend payments have been made in all but one of the last ten years. A total of 30 cents was paid in 1950 compared with 20 cents in 1949. In 1951, a total of 50 cents was paid.

A conservative dividend policy had been followed since the war. The major portion of net earnings was utilized to provide new equipment and improved facilities in order to achieve the sound competitive position which the company now enjoys.

the future

In considering National Tool Company's future, the trend towards the increased use of special cutting tools in industry appears to be the most potent factor favoring its prospects over the long pull. At present, the company has only begun to satisfy a demand for special cutting tools which already has exceeded previous record levels. This demand is coming from both civilian and military goods customers.

Another factor favoring future operations is that no steel procurement difficulties are anticipated because the government recognizes the prime importance of special cutting tools. Furthermore, although all materials used in special cutting tools contain alloy elements now in short supply, alternate materials that use less of these critical elements were developed and found satisfactory.

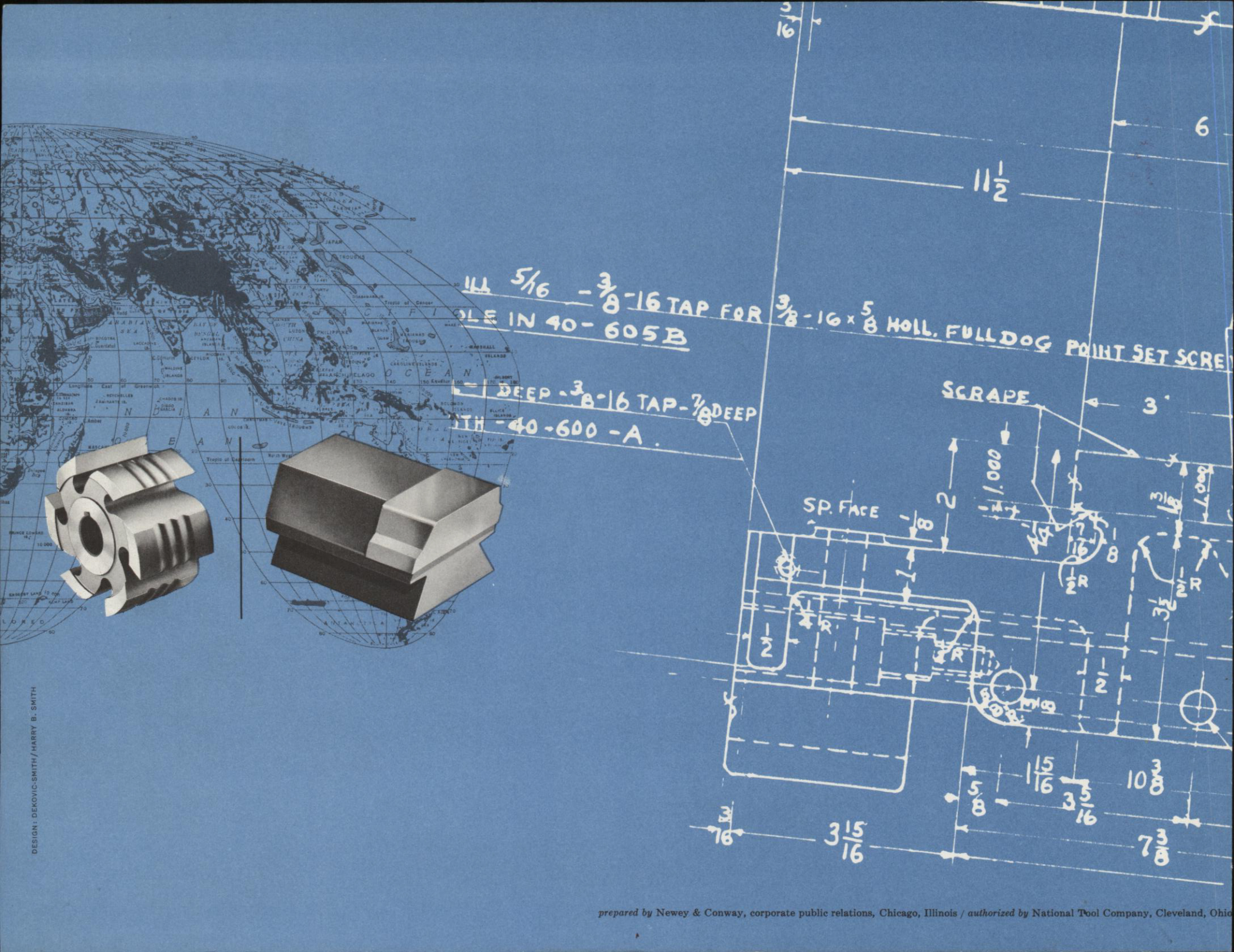
Government officials early in 1952 revised previous schedules of military production by extending the time table of the defense program, so that it may be some time in 1955 before the military gets all the equipment it needs. It can be expected that this action will result in additional production of some civilian goods now being deferred in favor of the defense program.

Although cutting tools play an important part in this program, only a relatively small portion of tool sales in 1951 can be traced directly to the defense effort, indicating that a tapering off of military orders would not affect company operations to any substantial extent.

cutting tools shown left to right

inside back cover worm gear hob
herringbone gear cutter

back cover ground-form relief milling cutter
tungsten carbide dovetail form tool



DESIGN: DEKOVIC-SMITH / HARRY B. SMITH

prepared by Newey & Conway, corporate public relations, Chicago, Illinois / *authorized by* National Tool Company, Cleveland, Ohio